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SUBJECT

Treasury Transactions Control License Application for the Export of Molybdenum Wire.

PROBLEM

The American Electro Metal Corporation has submitted to Treasury an application (dated August 19) for the export to Poland by its wholly owned Austrian subsidiary of molybdenum wire, including \$18,525 worth of a type considered by a Commerce-Defense Technical Task Group to have strategic end-uses. Treasury has requested the advice of EDAC regarding action whether it should approve or deny this part of the subject application in view of the differences in agency recommendations outlined below. The license application also covers other types of molybdenum wire which can be approved without question (\$21,506).

BACKGROUND

1. I/L Item 1658 covering molybdenum wire contains an Interpretative Note which states that COCOM will favorably consider, as accidents of definition, proposals to export wire which can be shown to have no strategic applications. The specifications for such wire were not defined by COCOM at the time of listing; in order to have a firm basis for guidance in handling exception requests, in particular by Austria (which is not a member of COCOM), a Task Group review of the item was initiated several months ago with the intent that its findings on the strategic and non-strategic grades would be submitted for COCOM agreement. JOC is expected to approve the Task Group recommendations on October 3. We do not know when and if COCOM acceptance can be obtained.
2. The wire in question falls just on the borderline recommended by the Task Group as constituting strategic wire; however, the retreat positions suggested by Commerce for negotiating a cut-off in COCOM would allow shipment of this type of wire.
3. Previous Austrian shipments of molybdenum wire have been approved by the U.S. on an ad hoc basis. In this connection a small order for the same type of wire now under discussion was approved in May, prior to the Task Group review, the determination having been made then that it had no strategic uses; presumably on the basis of this approval, the Austrian firm accepted the pending order for the larger quantity. Sweden, also a non-COCOM member, states that its exports of molybdenum wire to the bloc can be used only for non-strategic uses. The Netherlands has been exporting to Poland under a prior commitment molybdenum wire determined by COCOM in 1953 to be of a non-strategic type. It is not known whether the Swedish and Dutch exports include wire of the same specifications as that under review in this case. No other PC has brought an exception request before COCOM.
4. This problem was discussed by the Executive Committee on September 30; a unanimous recommendation could not be arrived at and, accordingly, the matter has been referred to EDAC.

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AIRY POSITIONS

5. State recommends in view of foreign policy considerations (a) that the entire application be approved, including the type considered by the U.S. technicians to have strategic uses; and (b) that the applicant and the Austrian Government be notified that wire of this size is possibly of strategic value and that we are approving this particular shipment as a one-time action pending consideration of the cut-off limits in COCOM.

The State recommendation is based on the following considerations:

- (i) desire to avoid the inevitable antagonism which would result both on the part of the Austrian firm and the Austrian Government from denying part of the application or from delaying a decision until the matter could be adjudicated in COCOM;
- (ii) previous approval of a shipment with the same specifications without subsequent notification of our technical review;
- (iii) still unresolved question of COCOM agreement on strategic cut-offs and the possibility of a decision by COCOM that this type of wire is non-strategic.

State feels that it is important to reduce to a minimum the minor irritations and restrictions upon the Austrians as to receive from the Austrian Government the maximum cooperation with the West on such broader and more important issues as the post-Treaty system of security trade controls yet to be discussed with and confirmed by Austria.

6. Defense recommends (a) that shipment of the particular wire in question not be approved; (b) that the firm and the Austrian Government be informed that on the basis of a technical review we consider the wire of strategic importance; and (c) that the U.S. suggest that the firm substitute in its order other non-strategic types of wire.

7. Commerce recommends that the part of the license covering the strategic type of wire not be approved; however, Commerce is willing to defer to the State recommendations in view of the foreign policy considerations involved.

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